

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 598 – SB 878

April 3, 2019

SUMMARY OF BILL: Reduces, from 50 to 40 percent, the amount of income after deduction of FICA, withholding taxes, and a health insurance premium that covers the child, that may be withheld from an obligor in an order of assignment of income for child support.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$201,900/One-Time

Increase Federal Expenditures – \$391,800/One-Time

Increase Local Expenditures – Exceeds \$250,000/One-Time

Other Fiscal Impact – To the extent child support collections are reduced, the Department of Human Services (DHS) will experience a significant recurring decrease in Temporary Assistance to Needy Families retained program income, which is used by the DHS to leverage additional federal matching funds.

Assumptions:

- Based on information provided by the Department of Human Services (DHS), system modifications would need to be made to the Tennessee Child Support Enforcement System (TCSES) in order to modify all income withholding order forms to reflect the new percentage amount.
- The total one-time increase in expenditures for updating the TCSES is estimated to be \$26,675 for all 395 hours needed to complete the system modifications.
- The \$26,675 for system modifications will be split between 66 percent child support enforcement funds and 34 percent state appropriations, resulting in \$17,606 (\$26,675 x 66.0%) in child support enforcement funds and \$9,070 (\$26,675 x 34.0%) in state appropriations.
- Reducing the maximum amount of income that may be withheld from an obligor for child support by 10 percent (50 – 40) will result in a recurring 20 percent (10 / 50) decrease in the amount of child support collected from income withholding orders (IWO) that are currently withholding the maximum 50 percent of an obligor's income.

- Employers apply the withholding cap before submitting payments; therefore, the number of IWOs currently subjected to the maximum 50 percent withholding is unknown. For purposes of this fiscal analysis, it is assumed that 10 percent of IWOs will be reduced to the new maximum withholding cap of 40 percent.
- The total amount of child support collected in FY17-18 was \$437,891,932.
- The recurring decrease in child support collections as a result of 10 percent of IWOs being impacted is estimated to be \$8,757,839 [(\$437,891,932 x 10.0% IWOs impacted) x 20.0% reduction in collections].
- The decrease in child support collections will result in a recurring annual loss of Temporary Assistance to Needy Families (TANF) retained program income, which is used by the DHS to leverage additional federal matching funds.
- The DHS will be required to reissue updated IWOs on all current cases with active IWOs to the following five entities: the employer, non-custodial parent, custodial parent, child support office and the court with jurisdiction of the case.
- There are currently 137,785 active IWO cases that would require an updated IWO be reissued.
- Based on information provided by the Department of General Services, the increase in expenditures associated with the mailing of reissued IWOs is estimated to be \$567,000.
- The \$567,000 will be split between 66 percent child support enforcement funds and 34 percent state appropriations, resulting in \$374,220 (\$567,000 x 66.0%) in child support enforcement funds and \$192,780 (\$567,000 x 34.0%) in state appropriations.
- Local courts will be required to reissue IWOs on private orders of support.
- The exact one-time cost to local courts to reissue private IWOs is unknown; however, it is reasonably assumed to exceed \$250,000.
- The total one-time increase in state expenditures is estimated to be \$201,850 (\$9,070 + \$192,780).
- The total one-time increase in federal expenditures is estimated to be \$391,826 (\$17,606 + \$374,220).

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/vlh